

# SENATE BILL REPORT

## SB 5021

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As Passed Senate, March 10, 1999

**Title:** An act relating to the property taxation of nonprofit organizations providing demonstration farms with research and extension facilities, public agricultural museums, and educational tour sites.

**Brief Description:** Exempting certain nonprofit organizations from property taxation.

**Sponsors:** Senators Snyder, Swecker, Winsley and Benton.

**Brief History:**

**Committee Activity:** Ways & Means: 2/3/99, 2/15/99 [DP].  
Passed Senate, 3/10/99, 47-0.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kohl-Welles, Long, McDonald, Rasmussen, Rossi, B. Sheldon, Snyder, Spanel, Thibaudeau, West, Winsley and Wojahn.

**Staff:** Terry Wilson (786-7433)

**Background:** All property in this state is subject to the property tax each year based on the property's value unless a specific exemption is provided by law. The only class of property which is exempt by the state Constitution is that owned by the United States, the state, its counties, school districts, and other municipal corporations, but the state Constitution allows the Legislature to exempt other property from taxation.

Exemptions exist for personal property, public property, private property, and property of nonprofit organizations that is used for specific purposes. Property tax exemptions of most nonprofit organizations are subject to the following conditions.

- 1) The property must be used exclusively for the purpose for which the exemption was granted. However, the property may be loaned or rented if the property would be exempt if it were owned by the organization to which it is loaned or rented (except for veterans associations and public assembly halls) and the rents or donations received are reasonable and do not exceed the maintenance and operation expenses incurred.
- 2) The property may be used for fund-raising activities without jeopardizing the exemption if the fund-raising activities are consistent with the purposes for which the exemption was granted.
- 3) The property must be irrevocably dedicated to the purpose for which the exemption was granted. In other words, upon liquidation, dissolution, or abandonment by a

nonprofit organization, the property may not benefit any shareholder or individual except a nonprofit organization that would be entitled to a property tax exemption if it applied for one.

Upon loss of exemption, back taxes for up to three years may be due.

Major exemptions for nonprofit organizations listed in magnitude of the total tax savings to the affected organizations include churches, nonprofit hospitals, private schools and colleges, retirement homes, nonsectarian charitable organizations, nursing homes, art collections/museums, and medical research or training facilities.

**Summary of Bill:** All real and personal property owned by a nonprofit organization qualified for exemption under section 501(c)(3) of the federal Internal Revenue Code to provide a demonstration farm with research and extension facilities, a public agricultural museum, and an educational tour site, which is used by a state university for agricultural research and education programs, is exempt from property taxation, including all real and personal property used in the production and sale of agricultural products, not to exceed 50 acres, if the income is used to further the purposes of the organization, corporation, or association.

This exemption is subject to the general administrative requirements, including back taxes on loss of exemption.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This property has been exempt historically. The nonprofit foundation took over when WSU's budget was cut. The research done there saves the state money. There is a \$20,000 to \$50,000 savings per year to WSU because the organization runs it. The economic benefits of this to the area outweigh the loss of property taxes.

**Testimony Against:** None.

**Testified:** PRO: Jerry Porter, Pacific County Assessor; Kyle Brekie, Pacific Coast Cranberry Research Foundation; Kim Patten, WA State University, Long Beach.